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Turner's Plan for Cable Network Draws Large Measure of Skepticism

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Staff Reporters of THE WALL STREET JOURNAL

ATLANTA—To hear Ted Turner tell it, Turner Network Television will revolutionize cable TV. Not only will it provide "the finest programming on this planet," he says, it will do so as part of cable systems' basic offerings rather than as a premium service like Home Box Office and Showtime.

But it may be years before TNT can realize that starry-eyed vision. In the meantime, skeptics say, Mr. Turner's much ballyhooed new cable network is liable to look more like a round-the-clock "Late Show" than a paragon of cable programming.

If all goes according to plan, TNT will premiere Oct. 3 with a showing of "Gone With the Wind" and follow with a steady stream of old movies from Turner Broadcasting System Inc.'s 3,300-title Metro-Goldwyn-Mayer library. Over the next three years, Mr. Turner aims to add to this menu a nightly smorgasbord of high-profile miniseries, big-league sports and Academy Awards-type extravaganzas.

The ambitious plan is already generating controversy. Cable executives are sharply divided over whether there is really room for another major cable network—and whether Turner Broadcasting can deliver it. TNT, which is likely to make its debut in seven million to 10 million households, "will need to move into the 30-to-35 million range quickly to compete and bid effectively for programming," says Larry Gerbrandt, an analyst at Paul Kagan Associates, a Carmel, Calif., investment concern.

'Punch-Through' Programming

Cable operators have long touted the idea of a network that would produce must-see, high-quality fare for which subscribers wouldn't have to pay extra. John Malone, president of the giant cable operator Tele-Communications Inc. and leader of the group of operators that owns 37% of Turner Broadcasting, contends that the industry needs such "punch-through" programming to compete with slick broadcast-network shows and lure more subscribers. Although about half of U.S. homes now get cable, that proportion must climb much higher to increase ratings and fetch more advertising revenues.

The industry has already invested heavily to launch such niche networks as the Discovery Channel, the Fashion Channel and the Learning Channel, which run much original programming. But executives feel that alongside the three major broadcast networks, cable still has the image of an also-ran. "We need more of the kind of sports programming, major movies and miniseries that heavy TV viewers love," says John Hendricks, president and chief executive officer of the Discovery Channel. "To do that, cable has to focus its energy, and TNT may be it."

Mr. Turner, who created both Cable News Network and, in WTBS, the modern, satellite "superstation," must trade heavily on his reputation in launching TNT. "He might be the only one who would have a chance of doing this," says Charles F. Dolan, chairman and chief executive officer of Cablevision Systems Corp., a Long Island, N.Y.-based operator.

Paul Isaacson, an executive vice president with the advertising concern Young & Rubicam Inc., agrees. While he questions whether TNT can buy enough time with old movies, he's open to committing his clients to a Turner project. "Turner's got a good track record and the support of the operators," Mr. Isaacson says. "In a business where the cost of advertising is skyrocketing and the market is fragmenting, it's important to look at these things as future investments."

However, some in the industry worry that TNT could further fragment the cable audience at a time when such networks as USA, ESPN and Lifetime are finally healthy enough to start spending to upgrade programming. Kay Koplovitz, president of USA Network Inc., sees another network—especially one like TNT—as "a barrier to any of us catapulting into a higher level of viewership." Even the biggest cable networks, including USA, have only a fraction of the total viewing audience. Winning a 2 to 4 share (or percentage of all television sets tuned in) is the best most cable shows can hope for.

Largest Cable Networks

Advertiser supported

NETWORK	OWNER	SUBSCRIBERS (In millions)
ESPN	Capital Cities/ ABC (80%)	46.1
Cable News Network	Turner Broadcasting	42.5
USA Network	Gulf & Western/MCA	41.0
MTV	Viacom	39.4
Nickelodeon	Viacom	37.9
CBN Cable Network	Christian Broadcasting	37.2
Nashville Network	Opryland USA/ Gaylord	37.0
Lifetime	Hearst/ Viacom/ABC	35.4
C-Span	Nonprofit Cooperative	33.0
The Weather Channel	Landmark Communications	31.6

Source: Cablevision magazine

Ad spending may be splintered, too. "There's a pool of advertising dollars for cable, but it only goes so far," notes Marc Goldstein, a senior vice president at the advertising concern Ogilvy Group Inc. "Can all these different entities continue to grow and prosper and generate the type of revenues necessary to provide programming?" (Cable is projected to draw $1.5 billion in advertising in 1988, up from $1.1 billion in 1987, according to Cabletelevision Advertising Bureau Inc.)

Other networks also see TNT as a bludgeon that would keep them from raising

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prices. Mr. Turner plans to offer TNT free to operators until the end of 1988, then gradually increase fees to 25 cents a month per subscriber by 1991. USA, ESPN and others now charge about 20 cents monthly per subscriber and are eager to raise fees so they can spend more on programming. Such increases would be more difficult were another major network to appear.

Beyond such objections, TNT faces some problems. For one thing, many cable systems, particularly older ones, have a shortage of available channels. There are already more than 60 cable networks of various sizes competing for space on systems that often have only 35 to 40 channels. Many of those networks, such as the Discovery Channel and the Fashion Channel, are partly owned by cable operators, who have an interest in their success.

Moreover, operators are naturally hesitant to remove a popular network in favor of one that's a mere promise. And David MacDonald, president of New York Times Co.'s NYT Cable unit, worries that TNT would drain resources from Turner Broadcasting's own WTBS, which is currently one of his system's two most popular channels. He argues that "anybody would have to say: 'I've got a winner with WTBS; why do anything that would hurt it?' "

Confident of the Market

Mr. Turner recognizes these obstacles. "We have to convince cable operators that TNT belongs on their system, when in many instances something else has to go," he says. Still, he thinks they'll be eager for what he promises.

In prime time, Mr. Turner envisions original situation comedies and game shows, as well as dramatic series and miniseries. (Meeting yesterday with dozens of Hollywood production executives, Mr. Turner told them he was interested in programming of an "uplifting nature.") He'd also like to get some splashy special events, such as the Academy Awards and the Miss America Pageant, as well as some high-minded, high-budget documentaries.

TNT plans to bid on National Football League games and other sports, though Mr. Turner says, "I don't see us as a head-to-head competitor in any way with ESPN." Nevertheless, all-sports ESPN, which currently has the rights to a Sunday-night NFL package, "is prepared for TNT," says J. William Grimes, president and chief executive officer of the network, which is 80% owned by Capital Cities/ABC Inc. "We aren't going to sit by idly while TNT takes over."

Others may be equally prepared. Mr. Turner himself concedes that many of the 40 to 50 special-event extravaganzas on its wish list "have longstanding relationships with the networks. Some of them will be virtually impossible to get." TNT could commit to a big miniseries today, but it would take at least two years and several million dollars to produce. Two years is also the soonest it could get pro football and baseba[illegible] on the air.

TNT Dud?

Potshots directed at venture

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There's no question that Turner Broadcasting Systems' proposed Turner Network Television hasn't been greeted by open arms.

TNT, as envisioned by TBS, would be a "big-ticket" network, featuring major sporting events, popular movies and other specials.

But the TNT concept has run into some rough sledding. Channel capacity is one stumbling block. Costs associated with drawing events such as the Emmy Awards or the 1992 Olympics, both of which have been mentioned for possible inclusion on the network, have also been an area of concern.

TNT has also attracted fierce criticism from other cable programmers. It's not the first time inter-industry squabbling has surfaced, but the finger-pointing at TNT leads some to wonder if cable programmers' traditional all-for-one, one-for-all philosophy might be splintering.

USA Network president *Kay Koplovitz*, for example, pulled few punches attacking TNT in a Denver appearance. "I don't think TNT is practical, and I don't think it's necessary," she said.

Thus far, Koplovitz is the only competitor that has attacked TNT so pointedly. Other major basic programmers continue to diplomatically tiptoe through the press with their comments about TNT. But beneath the surface, they are concerned about what a TNT might do to escalating production and rights fees.

Tom Rogeberg, senior vice president and general manager at CBN Cable Network, declined comment about TNT, but said, "Competition is certainly becoming more and more keen." Yet Rogeberg appears dismayed about some of the public posturing in evidence. "Attacking our competition does nothing to support our industry. It is better to focus on ways we can be supportive without harming our own goals."

At ESPN, executive vice president *Roger Werner* admits concern about any hikes in rights fees that may result should TNT and ESPN have to go head to head in obtaining sporting events. "To the extent we would have to compete for sporting events, it would only raise the price to the consumer," Werner says.

Werner adds, though, that a TNT wouldn't be a big concern to ESPN. "It's not necessarily bad that it is out there." He also downplays any overt criticism of the concept. "As programmers become more challenged, head-to-head competition is a reality."

Questionable industry support has led the TBS board to postpone formal approval of TNT. The board Nov. 15 urged a go-slow approach, according to TBS spokesman *Arthur Sando*, but will meet again in January.

Sando remains optimistic TNT will eventually surface, though not in March 1988 as originally planned. "We think TNT will be good for the cable industry," he says. And Sando adds that TNT, should it appear, won't artificially inflate rights fees.

Rights fees are beginning to rise again. The NBA, for example, flush with success from last season, won a $50 million two-year contract extension from TBS. The new contract, beginning with the 1988-89 season, calls for $23 million the first year and $27 million the second. The $50 million contract is twice as high as the current TBS/NBA agreement.

While the industry mulls the latest developments from TBS, there is yet another factor to consider. NBC, which has coveted TBS' CNN operations for years, is reportedly talking to TBS officials about a range of possible ventures, including equity investment. — *Chuck Moozakis*

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Turner network draws skeptics

By RICHARD TEDESCO
Staff reporter

New York—TNT may not have the explosive impact Ted Turner expects.

Some cable TV operators are skeptical about what programing will be featured on Mr. Turner's planned Turner Network Television and whether they'll have the channel space to carry the new service when it premieres next year.

At least one of the top 10 multiple cable system operators, Comcast Cable Communications, has already told Turner Broadcasting that it does not intend to carry TNT in 1988.

"I'm busy working on my business plan for next year, and TNT isn't in it," said Robert Clasen, Comcast president and chief executive officer. "There are a lot of new services we're not going to carry and TNT is one of them."

Mr. Clasen voiced concerns about TNT that were echoed by sources at other MSOs.

"They don't have any product today aside from the MGM library. You're buying a pig in a poke," Mr. Clasen said.

TBS officials declined to comment publicly about the concerns expressed by some MSOs, but sources pointed out several points in the company's favor, not the least of which is Mr. Turner's salesmanship ability.

The major MSOs now seated on TBS's board are expected to put their weight behind the service, providing carriage to more than 10 million subscribers.

The MSO board, which recently approved the concept of TNT, includes representatives of Tele-Communications Inc., American Television and Communications Corp., Warner Cable Communications, Continental Cablevision and United Cable.

Sources also said that if TNT gets the blockbuster programing that Mr. Turner is seeking, the service certainly will gain acceptance.

Aside from films in the MGM library, including a network kickoff featuring "Gone With the Wind," the new channel would carry sports programing shifted from the TBS superstation.

Beyond that, Mr. Turner has composed a TNT "wish list" that includes Major League Baseball, NBA and NCAA basketball, U.S. Open golf and tennis and special events spanning everything from the Academy and Grammy awards to the Olympics, the Kentucky Derby, the Daytona 500, college football bowl games and parades.

"If Turner's programing is as strong as it appears it's going to be, we'll find some room," said Neil Sullivan, fund vice president in operations for Jones Intercable.

But some MSO executives say they simply may not have the channel capacity for TNT.

"Even if we really wanted to get the service on, it would be hard to clear channel space in some cases," said Peter Low, director of programing for Cablevision Systems Corp.

The proposed March 1988 launch date also seems to be in question. MSOs contacted last week had yet to hear a full-blown presentation on programing or business plans from TBS. The Turner board is expected to approve a business plan for TNT at its next meeting in mid-November.#